

Message Text

UNCLASSIFIED

PAGE 01 CAIRO 07819 081337Z

50

ACTION EB-07

INFO OCT-01 AF-06 EUR-12 NEA-10 ISO-00 DRC-01 FEA-01

AGR-10 CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-02

INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05

CIEP-02 SS-15 STR-04 TAR-01 TRSE-00 USIA-15 PRS-01

SP-02 OMB-01 XMB-04 OPIC-06 FTC-01 ERDA-07 /142 W

----- 130006

R 081325Z AUG 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 5712

INFO AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KHARTOUM

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY TEHRAN

UNCLAS CAIRO 7819

E.O. 11652: NA

TAGS: USEGJC EFIN EIND EINV EG

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS: EGYPT

REF: STATE 165596

1. EMBASSY NARRATIVE STATEMENT ON INVESTMENT CLIMATE FOLLOWS.

QUOTE-

PRIOR TO THE OCTOBER, 1973 WAR, NON-ARAB PRIVATE FOREIGN
DIRECT INVESTMENT IN EGYPT WAS ACTIVELY DISCOURAGED, EXCEPT FOR
THE PETROLEUM SECTOR. SINCE THAT TIME THE GOVERNMENT HAS
MARKEDLY CHANGED ITS ATTITUDE, HAS FURTHER DEVELOPED ITS
"OPEN DOOR POLICY" AND HAS TAKEN SIGNIFICANT STEPS TO ENCOURAGE
AND FACILITATE THE PARTICIPATION OF FOREIGN CAPITAL IN EGYPT'S
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 CAIRO 07819 081337Z

ECONOMIC DEVELOPMENT.

THE PRINCIPAL CHANGE IS LAW 43 OF 1974, WHICH GREATLY MODIFIES RESTRICTIVE TAX, LABOR AND CURRENCY LAWS IN FAVOR OF FOREIGN ENTERPRISES. IT ALSO GIVES PROTECTION AGAINST NATIONALIZATION, CONFISCATION AND SEQUESTRATION, AND PROVIDES OPPORTUNITIES FOR REMITTANCE OF PROFITS BY NEW INVESTORS.

PARTICULAR STRESS IS PLACED ON PROJECTS IN MANUFACTURING, MINING, TOURISM, AND BANKING, ALTHOUGH ANY REASONABLE PROPOSAL WILL BE CONSIDERED. THE LAW IS DESIGNED TO ENCOURAGE EXPORT-ORIENTED PROJECTS, BUT IMPORT-SUBSTITUTION INVESTMENTS ARE ACCEPTED IF THEY PROVIDE MAJOR BENEFITS FOR THE ECONOMY. JOINT-VENTURE LOCAL BANKS REQUIRE 51 PERCENT EGYPTIAN CAPITAL BUT THERE ARE NO OTHER FIXED REQUIREMENTS FOR LOCAL PARTICIPATION. IN PRACTICE, HOWEVER, AT LEAST 25 PERCENT IS EXPECTED TO BE RESERVED FOR AN EGYPTIAN PUBLIC OR PRIVATE SECTOR PARTNER.

DESPITE THE NEW OFFICAL ATTITUDE AND ATMOSPHERE, IMPORTANT OBSTACLES TO DIRECT FOREIGN INVESTMENT STILL EXIST. LAW 43 HAS A NUMBER OF SHORTCOMINGS THAT REQUIRE CORRECTION BEFORE IT CAN BE CONSIDERED FULLY FACILITATIVE: EXCHANGE RATE PROBLEMS, RESTRICTIONS ON CERTAIN CATEGORIES OF REMITTANCES, CUSTOMS EXEMPTION INADEQUACIES, ETC. THE GOVERNMENT IS WORKING TO REMOVE OR REDUCE THESE PROBLEMS. OF A MORE COMPLICATED AND LESS TRACTABLE NATURE ARE ADMINISTRATIVE CONFUSION, RESULTING FROM THE SUDDEN SHIFT IN POLICIES AND THE CONSEQUENT ESTABLISHMENT OF NEW ORGANIZATIONS AND REDISTRIBUTION OF RESPONSIBILITIES, AND INGRAINED BUREAUCRATIC INERTIA, WHICH MAKES THE CASE BY CASE DECISIONS REQUIRED BY LAW 43 A TIME-CONSUMING AND FRUSTRATING EXERCISE. FINALLY, A DECADE OF NEGLECT OF TRANSPORTATION, COMMUNICATIONS, AND OTHER FACETS OF THE INFRASTRUCTURE WILL INHIBIT INVESTMENT IMPLEMENTATION.

NEVERTHELESS, EGYPT OFFERS A NUMBER OF ATTRACTIONS TO FOREIGN CAPITAL: A REASONABLY DIVERSIFIED AND SOPHISTICATED INDUSTRIAL SECTOR, ABUNDANT LABOR, A POTENTIALLY LARGE DOMESTIC MARKET, AND AN EXCELLENT GEOGRAPHICAL LOCATION. THE WEALTHY OPEC NATIONS HAVE ESTABLISHED INVESTMENT OFFICES IN CAIRO

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 CAIRO 07819 081337Z

AND MADE FUNDS AVAILABLE FOR JOINT VENTURES WITH WESTERN COMPANIES. OPIC PROGRAMS ARE IN EFFECT AND A US/EGYPTIAN TAX TREATY IS BEING NEGOTIATED.

SINCE JANUARY 1, 1974, INVESTMENT PROPOSALS TOTALING MORE THAN \$3 BILLION HAVE BEEN APPROVED, BUT VERY FEW OF THE PROJECTS HAVE ACTUALLY BEEN STARTED AND SOME OF THEM MAY NEVER BE UNDERTAKEN AT ALL. UNQUOTE.

2. PRESENTATION OF MEANINGFUL STATISTICS ON INVESTMENTS IN
EGYPT SUFFERS FROM USUAL PROBLEM OF AVAILABILITY AND RELIABILITY.
EMBASSY'S BEST ESTIMATES FOR BOOK VALUE OF DIRECT INVESTMENT
AT END OF 1974 IS AS FOLLOWS, ALL DATA IN MILLION DOLLARS.

A. IN EGYPT, BY US

TOTAL, ALL INDUSTRIES	250 (1)
MINING AND SMELTING	NONE
PETROLEUM	250 APPROX (1)
MANUFACTURING	3
OTHER INDUSTRIES	NONE

(1) INCLUDES ESTIMATES OF 1974 PORTIONS OF MULTI-YEAR
OIL EXPLORATION AGREEMENTS.

B. IN EGYPT BY ALL COUNTRIES

TOTAL, INCLUDING US	315 (2)
OTHER COUNTRIES	NOT AVAILABLE

(2) ALMOST ALL PETROLEUM SECTOR

C. IN US, BY EGYPTIANS NEGLIGIBLE/ NONE
MAESTRONE

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INVESTMENT CLIMATE, INVESTMENT DATA, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CAIRO07819
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750274-0737
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750867/aaaacgok.tel
Line Count: 141
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 165596
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 12 FEB 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 FEB 2003 by ReddocGW>; APPROVED <13 JAN 2004 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOREIGN INVESTMENT CLIMATE AND STATISTICS: EGYPT
TAGS: EFIN, EIND, EINV, EG, USEGJC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006